

Decision **PROPOSED DECISION OF ALJ MILES** (Mailed 5/13/2014)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas
Company (U904G) for Approval of
Advanced Metering Infrastructure.

Application 08-09-023
(Filed September 29, 2008)

**DECISION DENYING PETITION FOR MODIFICATION OF
DECISION 10-04-027**

1. Summary

The Commission denies the petition for modification filed by the Office of Ratepayers Advocates and The Utility Reform Network, and rejects the related motion seeking a stay of implementation of Decision 10-04-027.

2. Background

Decision (D.) 10-04-027, issued April 8, 2010, granted Southern California Gas Company (SCG) authorization to develop and deploy a gas-only advanced metering infrastructure (AMI) throughout its service territory and to recover deployment costs of up to \$1.0507 billion, subject to adjustment and risk sharing provisions.¹

¹ See D.10-04-027, Ordering Paragraph 7.

The Commission opened Rulemaking (R.) 11-02-019 to adopt new safety and reliability regulations for natural gas transmission on February 24, 2011,² and, in D.11-06-017, we ordered all gas utilities, including SCG, to develop and file, no later than August 26, 2011, natural gas transmission pipeline comprehensive pressure testing implementation plans “to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipelines that have not been pressure tested.”³ On August 26, 2011, SCG submitted its Pipeline Safety Enhancement Plan (PSEP) and on December 2, 2011, SCG submitted an amended PSEP.

By this petition filed on November 16, 2011, the Office of Ratepayers Advocates (ORA) and The Utility Reform Network (TURN)⁴ seek modification of D.10-04-027 to rescind the authorization that we granted to SCG to deploy its AMI.

3. Discussion

The petitioners argue that, because SCG’s PSEP proposal “will impose a large potential burden on the limited resources of ratepayers,” the Commission should now modify D.10-04-027. The petitioners reason that, because there is considerable uncertainty about how much SCG ratepayers will be asked to pay for the newer high priority effort to improve pipeline safety, the Commission should order SCG to halt its previously approved AMI deployment until further

² R.11-02-019 Order Instituting Rulemaking on the Commission’s Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution pipelines and Related Ratemaking Mechanisms.

³ See D.11-06-017 at 1 (Summary) and Ordering Paragraphs 4-9.

⁴ ORA and TURN hereafter either will be referred to individually or, if jointly, as “petitioners.”

order of the Commission. The petitioners request that the Commission immediately stay implementation of D.10-04-027⁵, which authorized AMI deployment, but indicate that SCG should be given an opportunity to file a new application “in a few years” after there is sufficient empirical data from advanced gas meters utilized by customers of Pacific Gas & Electric Company (PG&E) and San Diego Gas and Electric Company (SDG&E), to provide “a reliable estimate of conservation benefits.”

The petitioners essentially are urging this Commission to reverse D.10-04-027 because SCG may eventually require a rate increase to cover capital costs arising from its compliance with our later mandate that all gas utilities develop pipeline safety enhancement plans (D.11-06-017).

The petitioners note, and it is indeed true, that at the time that D.10-04-027 was issued, the Commission could not have anticipated that the San Bruno explosion would occur or that, as a result of that unfortunate incident, the Commission would decide to implement measures to ensure that all gas utilities more carefully monitor their gas pipeline infrastructures to avert future catastrophic incidents. However, it does not logically follow that, because of these subsequent events, SCG’s AMI deployment can no longer be sustained. Petitioner’s reasoning is flawed and somewhat misleading for several reasons.

First, we authorized SCG’s AMI deployment and recovery of deployment costs on April 8, 2010, approximately 14 months prior to our June 9, 2011, pipeline safety order in D.11-06-017. So, given the timeline of events, it is the new pipeline safety requirement that could potentially add a layer of “significant

⁵ Petitioners filed a separate Motion for an Immediate Stay of Implementation as required under Rule 16.4(h).

capital costs” upon SCG and its ratepayers, not the AMI deployment. Our analysis and approval of the AMI deployment were based upon projected costs and benefits unique to the AMI deployment proposal at the point in time during which we considered them (more than a year before the pipeline safety order was promulgated), not upon unknown facts and circumstances that hypothetically could arise in a future proceeding. It would not be feasible for the Commission to ever approve programs that impose ratepayer costs, if prior to doing so, we were first required to speculate about the incremental impact of hypothetical future programs on ratepayer costs.

Second, the safety order(s) in D.11-06-017 are related to expenditures for infrastructure improvements and safety enhancements that this Commission has mandated as appropriate and necessary to avert future catastrophic incidents. It is difficult to imagine any analysis that would lead SCG or any other gas utility to conclude that such safety expenditures are not justified, when weighed against the potential loss of human life or limb.

The petitioners offer that SCG should be given an opportunity to file a new AMI application “in a few years,” after there is sufficient empirical data from advanced gas meters utilized by customers of PG&E and SDG&E, to provide “a reliable estimate of conservation benefits.” However, doing so would not mitigate the expenditure of manpower, cost and time that SCG has already undertaken on the AMI deployment during the 14 months between our April 2010 authorization and our June 2011 pipeline safety order.

Lastly, the petitioners point to the fact of the Commission’s 3-2 vote on D.10-04-027 in support of their petition for modification. However, present or future expenditures for pipeline safety were not a factor in the vote to approve the project. The dissenting Commissioners questioned whether forecasts of the

energy conservation benefits that would result from the AMI, justified the costs of AMI deployment. Ultimately, the Commission concluded that the costs of SCG's AMI project were justified by the net benefits to ratepayers and that the SCG AMI proposal was cost effective with the modifications ordered by the Commission.

For this reason, we agree with SCG that potential costs of anticipated pipeline safety expenditures under D.11-06-017 do not logically shift the cost benefit analysis underpinning our D.10-04-027. Likewise, the potential cost to SCG of complying with D.11-06-017 does not provide justification for abandoning our determination in D.10-04-027. Of course, should an issue ever arise about whether the costs of safety enhancements required by D.11-06-017 are justified by the benefits to ratepayers, this issue can be subjected to Commission scrutiny at a later date.

3. Motion for Immediate Stay of Implementation of D.10-04-027

Because the Petition for Modification lacks justification for the requested relief, there is no basis for granting the petitioners' motion for an immediate stay of implementation of D.10-04-027.

4. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. No comments were filed.

5. Assignment of Proceeding

President Michael R. Peevey is the assigned Commissioner. The assigned ALJ is Patricia B. Miles.

Findings of Fact

1. By D.10-04-027, dated April 8, 2010, the Commission approved A.08-09-023, authorizing SCG to develop and deploy a gas-only AMI throughout its service territory.
2. In D.10-04-027, the Commission concluded that development and implementation of a cost-effective gas-only AMI system is consistent with state energy policy objectives and that the SCG AMI proposal met functionality criteria defined by the Commission.
3. In D.10-04-027, the Commission concluded that the costs of SCG's AMI project were justified by the net benefits to ratepayers and that the SCG AMI proposal was cost effective with the modifications ordered by the Commission.
4. In D.11-06-017, the Commission ordered all gas utilities, including SCG, to develop and file natural gas transmission pipeline comprehensive pressure testing implementation plans to achieve the goal of cost effectively replacing or testing all natural gas transmission pipelines.
5. Expenditures for anticipated infrastructure improvement that may be required to comply with the safety order(s) in D.11-06-017 were not part of the cost benefit analysis in D.10-04-027.
6. The Commission's analysis and approval of the SCG AMI was based upon costs and benefits unique to the AMI deployment proposal, and which existed or were projected 14 months before D.11-06-017 was promulgated.
7. D.11-06-017 does not impact the Commission's analysis of the SCG AMI proposal in D.10-04-027.

Conclusions of Law

1. The fact that all gas utilities must implement safety enhancements ordered in D.11-06-017 does not change or impact the analysis under D.10-04-027 or provide justification for modification of D.10-04-027.
2. The Petition for Modification should be denied.
3. The motion for an immediate stay of implementation of D.10-04-027 should be denied.
4. A.08-09-023 should be closed.
5. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. The Petition for Modification filed by the Office of Ratepayers Advocates and The Utility Reform Network is denied.
2. The Motion for an Immediate Stay of Implementation of Decision 10-04-027 is denied.
3. Application 08-09-023 is closed.

This order is effective today.

Dated _____, at San Francisco, California.